

## EXHIBIT F

### AFFORDABILITY COVENANTS

#### DECLARATION OF LAND USE RESTRICTIONS (RESTRICTIVE COVENANTS)

This **DECLARATION OF LAND USE RESTRICTIONS (RESTRICTIVE COVENANTS)** (ARestrictive Covenants@) is executed this \_\_\_\_\_ day of \_\_\_\_\_, 200\_, by the **LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY** (ALand Bank@or AOwner@), a Texas local government corporation created pursuant to TEX. TRANSP. CODE. ANN. ' 431.101.

#### RECITALS

Owner has purchased with funds supplied by City, the land described on **Exhibit A** attached hereto and incorporated herein by reference (said land and any improvements to be constructed thereon are hereinafter collectively referred to as the "Single Family Property").

The funds supplied by the City are restricted to the purpose of funding a housing program for homeless and low and moderate income persons within the City. Accordingly, as a condition of the City's funding, Owner must agree to comply with certain development, occupancy and resale restrictions with respect to the Single Family Property which are designed to promote its use for affordable housing. **In consideration of the mutual benefits to the City and Owner as set out in various funding agreements, Owner has agreed to execute this Declaration to further evidence its agreement to comply with such restrictions**

**NOW THEREFORE**, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner hereby agrees as follows:

#### ARTICLE I

##### Definitions

**Section 1.1. General.** Capitalized terms used in this Declaration shall have, unless the context clearly requires otherwise, the meanings specified in this Article I. Certain additional terms may be defined elsewhere in this Declaration.

**"Affordability Period"** means, for any particular Single Family Property, a five (5) year period commencing upon the date such Single Family Property is purchased by a Qualifying Lower-Income Purchaser, during which such time the Single Family Property must be occupied as the

principal residence of a Qualifying Lower-Income Purchaser whose family meets the requirements of a Lower-Income Family at the time of the purchase.

**"Annual Income"** means "annual income" as defined in 24 C.F.R. ' 92.203(b)(1), (2), or (3), as determined by the Director in his or her sole discretion.

**"Certifying Entity"** means an appropriate entity which has been designated by the City, acting through the Director, to be responsible for the processing of prospective purchasers' applications for consideration as Qualifying Lower Income Purchasers, and the monitoring of the Owner's development, construction and sale of the Single Family Property in accordance with this Declaration.

**"City Investment"** means the amount of \$\_\_\_\_\_ (which may or may not equal the actual amount of funds provided by the City and invested in a specific Single Family Property for development as affordable housing).

**"Declaration"** means this Declaration of Land Use Restrictions (Restrictive Covenants), as it may from time to time be amended.

**"Director"** means the Director (or the chief executive officer, if otherwise designated) of the City's Department of Housing and Community Development, or of such Department's successor entity, or such Director's duly empowered designee.

**"HUD"** means the United States Department of Housing and Urban Development, or any duly constituted successor or designee thereof.

**"Lower-Income Families"** means families and individuals whose Annual Incomes do not exceed 80 percent of area median income in the area in which the Single Family Property is located, as determined by HUD, with adjustment for family size, except that HUD may establish income ceiling higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

**"Owner"** means the Land Assemblage Redevelopment Authority, as set forth at the beginning of this Declaration, or any successor in title to the Single Family Property during the term of this Declaration, including, without limitation, any Qualifying Lower-Income Purchaser who takes title to a Single Family Property.

**"Purchaser"** means a public agency, a nonprofit organization, or an individual, corporation, partnership or other entity, which is approved by the Director as a purchaser of one or more Single Family Properties under Section 2.1(a)(ii) hereafter.

**"Qualifying Lower-Income Purchaser"** means a Lower-Income Family which agrees to occupy, and certifies in writing that it intends to occupy, a Single Family Property as a principal residence for the Affordability Period, and which enters into an agreement, in the form approved by

the City, upon purchase of a Single Family Property, providing for the recapture by the City of the City Investment made in the Single Family Property, prorated as provided in Section 3.1(a) hereafter, if such resale takes place within the Affordability Period, in the absence of such particular circumstances as may be specified in such agreement.

**"Related Entity"** means, with respect to any party which has been an Owner hereunder: (i) any spouse, parent, child, grandchild, brother or sister of such Owner; or (ii) any person or entity (A) that directly or indirectly controls or is controlled by or is under common control with such Owner, (B) that is an officer of, partner in or trustee of, or serves in a similar capacity with respect to, such Owner or of which such Owner is an officer, partner or trustee, or with respect to which such Owner serves in a similar capacity, or (C) that is the beneficial owner, directly or indirectly, of 10% or more of any class of equity securities of such Owner or of which such Owner is directly or indirectly the owner of 10% or more of any class of equity securities.

**"State"** means the State of Texas.

**"Term"** means, with respect to each Single Family Property governed by this Declaration, the period commencing on the date hereof and continuing until the earliest to occur of the following:

(1) the date upon which there is an involuntary loss of the particular Single Family Property by a Qualifying Lower-Income Purchaser, caused by seizure, condemnation, foreclosure, deed in lieu of foreclosure or a change in federal or State law, which involuntary loss prevents the City from enforcing this Declaration; provided, however, that in the event of loss of the Single Family Property caused by foreclosure or deed in lieu of foreclosure, and if at any time thereafter, the party which was the Qualifying Lower-Income Purchaser at the time of or immediately prior to such foreclosure or deed in lieu of foreclosure, or a Related Entity of such party, acquires an ownership interest in such Single Family Property, then the covenants and restrictions set forth in this Declaration shall be revived and shall remain in force until the further occurrence of an event described in this subsection;

? (2) the date which is the later of (i) twenty (20) years from the date of this Declaration or (ii) fifteen (15) years from the date the particular Single Family Property was initially sold by Owner to a Qualifying Lower-Income Purchaser; or

(3) the date upon which the particular Single Family Property has been occupied by one or more Qualifying Lower-Income Purchasers for the Affordability Period.

**Section 1.2. Generic Terms.** Unless the context clearly indicates otherwise, where appropriate the singular shall include the plural and the masculine shall include the feminine or neuter, and vice versa, to the extent necessary to give the terms defined in this Article and/or the terms otherwise used in this Declaration their proper meanings.

## ARTICLE II

## Sale of Single Family Property

### **Section 2.1. Sale of Single Family Property.**

- (a) During the Term, Owner will either:
  - (i) sell the Single Family Property to a Qualifying Lower-Income Purchaser; or
  - (ii) sell the Single Family Property to Purchaser that agrees in writing:

- (A) to construct a single family residence upon each such Single Family Property, such construction to commence within twelve (12) months from the date of transfer of title to the Single Family Property to the initial Purchaser, such residence to be constructed in accordance with the terms of this Declaration;

- (B) to abide by the restrictions set forth in this Declaration; and

- (C) to assume all of the obligations of Owner under this Declaration and under the terms of any other statute or agreement relating to the Property.

- (b) At least twenty (20) days prior to the sale of any Single Family Property, Owner shall notify City of the legal name and address of the proposed purchaser, and, if applicable, shall provide or cause to be provided to the City and/or the Certifying Entity all documentation and other information necessary to determine the qualification of the proposed purchaser as a "Qualifying Lower-Income Purchaser."

**Section 2.2. Sale of Single Family Property Under Section 2.1 (a)(ii).** Any sale of a Single Family Property under Section 2.1(a)(ii) shall be subject to the following requirements:

- (a) The Purchaser shall be required to develop and sell the Single Family Property in accordance with this Declaration and any other statute or agreement relating to the Single Family Property and will construct or cause to be constructed upon each Single Family Property a single family residence which meets the housing quality standards in 24 C.F.R. ' 92.251 and ' 92.355.

- (b) The Purchaser shall be required to make each completed residence available for sale to a Qualifying Lower-Income Purchaser only, upon the following terms:

- (i) Such Single Family Property shall have an initial purchase price that does not exceed 95 % of the median purchase price for that type of single family housing (1- to 4-family residence or condominium unit) for the jurisdiction as determined under 24 C.F.R. ' 92.254(a)(2)(iii);

- (ii) Such Single Family Property shall be subject to the recapture provisions contained in this Declaration for the Affordability Period; and

(iii) Such Single Family Property shall meet all other requirements of affordability set forth under 24 C.F.R. ' 92.254.

### ARTICLE III

#### Recapture Provisions

**Section 3.1. Sale to Non-Qualifying Purchaser.** In the event that after the Affordability Period has commenced, the Qualifying Lower-Income Purchaser (AHomeowner@) sells his Single Family Property to other than a Qualifying Lower-Income Purchaser (the "Non-Qualifying Purchaser"), then the following agreements shall apply:

(a) From the sale proceeds, the Homeowner shall be required to refund to the City the City Investment. The City Investment shall be reduced prorata based upon the time the Single Family Property has been actually occupied by a Qualifying Lower-Income Purchaser, measured against the required Affordability Period. For the purpose of prorating the City Investment, each complete year of ownership and occupancy by a Qualifying Lower-Income Purchaser shall reduce the City Investment by the same percentage which such year bears to the entire applicable Affordability Period.

(b) If the net proceeds (i.e., the sales price minus closing costs and repayment of loans other than the City Investment) are not sufficient to recapture the full City Investment, prorated as described in subsection (a) above, plus enable the Homeowner to recover the amount of the Homeowner's down payment and any capital improvement investment, the net profits shall be divided proportionally as set forth in the following formulas:

$$\frac{\text{City Investment}}{\text{City Investment} + \text{Homeowner investment}} \times \text{Net proceeds} = \frac{\text{Recaptured}}{\text{City Investment}}$$

$$\frac{\text{Homeowner investment}}{\text{City Investment} + \text{Homeowner investment}} \times \text{Net proceeds} = \text{Amount to Homeowner}$$

### ARTICLE IV

#### Administration

**Section 4.1. Use of a Certifying Entity.** At its election and from time to time, the City, acting through the Director, may designate an appropriate entity (the "Certifying Entity") to be responsible for the processing of prospective purchasers' applications for consideration as Qualifying Lower-Income Purchasers, and the monitoring of the Owner's development and sale of the Single Family Property in accordance with this Declaration.

**Section 4.2. Examination of Incomes.**

(a) The City or the Certifying Entity shall be responsible for determination of the Annual Income and family composition of Qualifying Lower-Income Purchasers.

(b) As a condition of purchasing a Single Family Property, Owner shall require the household head and such other household members as it designates to execute a City approved release and consent authorizing any depository or private source of income, or any Federal, State or local agency, to furnish or release to Owner and to City and/or the Certifying Entity such information as Owner, City or Certifying Entity determines to be necessary. Owner shall also require the household to submit directly documentation determined to be necessary. Information or documentation shall be determined to be necessary if it is required for purposes of determining or auditing a household's eligibility as a Qualifying Lower-Income Purchaser, or for verifying related information. The use or disclosure of information obtained from a household or from another source pursuant to this release and consent shall be limited to purposes directly connected with administration of this Declaration.

(c) Owner shall not be deemed to be in violation of Article II of this Declaration if, in determining Annual Income and family composition of a prospective purchaser, Owner has relied upon the certification of the City or the Certifying Entity that the prospective purchaser is a Qualifying Lower-Income Purchaser, or if (i) Owner has relied in good faith upon information which is supplied to Owner by the prospective purchaser, (ii) Owner has no reason to believe such information is false, and (iii) Owner shall have complied with all requirements of the City or the Certifying Entity with respect to verification of household income and family composition.

**Section 4.3. Certification by Owner.** During the Term, on each anniversary of the date upon which this Declaration was first recorded in the Official Public Records of Real Property of Harris County, Texas, or upon such other annual date as City, in its discretion, upon reasonable notice to the Owner, shall establish, Owner shall submit to City a certification, in a form prescribed by City, as to Owner's compliance with all of the terms and provisions of this Declaration.

**Section 4.4. Maintenance of Documents.** All applications, waiting lists, income examinations and reexaminations relating to any Single Family Property shall at all times be kept separate and identifiable from any other business of Owner which is unrelated to the Single Family Property, and shall be maintained, as required by City, in a reasonable condition for proper audit and subject to examination and photocopying during business hours by representatives of City, the Certifying Entity for such period of time as is required for retention of documentation and records 24 C.F.R. ' 92.508(c).

**Section 4.5. Compliance Review.** City or the Certifying Entity periodically will monitor Owner's compliance with the requirements of this Declaration. In conducting its compliance review, City or Certifying Entity will rely primarily on information obtained from Owner's records and reports, findings from on-site monitoring, and audit reports. City or the Certifying Entity may also consider relevant information gained from other sources, including litigation and citizen complaints.

Owner shall cooperate with City or the Certifying Entity in any such compliance review and shall furnish all notices, information and reports reasonably required by City or the Certifying Entity for such purpose.

**Section 4.6. Releases.**

(a) City shall execute such documents as may be required to evidence release of the Single Family Property, or any portion thereof, from the covenants and restrictions set forth in this Declaration based upon the expiration of the Term as provided in Section 1.1(t) hereof (subject, in the event of foreclosure or deed in lieu of foreclosure, to revival as set forth in Section 1.1(t)(1)), upon receipt from Owner of a certification as to the occurrence of the event giving rise to such expiration and such other evidence as City may reasonably require.

(b) If City shall have contracted with the Certifying Entity for the performance of its responsibilities hereunder, the Certifying Entity shall execute the appropriate release and/or modification to this Declaration in the name of City in accordance with the terms of subsection (a) of this Section, and shall provide appropriate evidence to Owner of its authorization so to act in the name of City.

**ARTICLE V**

**Representations and Warranties of Land Bank**

**Section 5.1. Representations and Warranties.** Land Bank represents and warrants to City that:

(a) Non-profit Status. Land Bank is a nonprofit local government corporation, validly organized under the laws of the State.

(b) Valid Execution. Land Bank has validly executed this Declaration and the same constitutes the binding obligation of Land Bank. Land Bank has full power, authority and capacity (i) to enter into this Declaration, (ii) to carry out Owner's obligations as described in this Declaration and (iii) to assume responsibility for compliance with all applicable federal rules and regulations.

(c) No Conflict or Contractual Violation. To the best of Land Bank's knowledge, the making of this Declaration and Owner's obligations hereunder:

(i) will not violate any contractual covenants or restrictions (A) between Land Bank and any third party or (B) affecting the Single Family Property;

(ii) will not conflict with any of the instruments that create or establish Land Bank's authority;

(iii) will not conflict with any applicable public or private restrictions;

(iv) do not require any consent or approval of any public or private authority which has not already been obtained; and

(v) are not threatened with invalidity or unenforceability by any action, proceeding or investigation pending or threatened, by or against (A) Land Bank, without regard to capacity, (B) any person with whom Land Bank may be jointly or severally liable, or (C) the Single Family Property.

(d) No Litigation. No litigation or proceedings are pending or, to the best of Land Bank's knowledge, threatened against Land Bank, which if adversely determined could individually or in the aggregate have an adverse effect on title to or the use and enjoyment or value of the Single Family Property, or any portion thereof, or which could in any way interfere with the consummation of this Declaration.

(e) No Bankruptcy. There is not pending or, to Land Bank's best knowledge, threatened against Land Bank any case or proceeding or other action in bankruptcy, whether voluntary or otherwise, any assignment for the benefit of creditors, or any petition seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for Land Bank under any present or future federal, state or other statute, law, regulation relating to bankruptcy, insolvency or relief for debtors.

**Section 5.2. Indemnification.** Land Bank agrees to indemnify and hold harmless City or the Certifying Entity from and against all liabilities, losses, claims, damages, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by City or the Certifying Entity as a result of any material inaccuracy in any of the representations and warranties contained in this Article.

## ARTICLE VI

### **Enforcement and Remedies**

#### **Section 6.1. Remedies of City or the Certifying Entity.**

(a) If Owner defaults in the performance of any of its obligations under this Declaration or breaches any covenant, agreement or restriction set forth herein, and if such default remains uncured for a period of sixty (60) days after notice thereof shall have been given by City or the Certifying Entity (or for an extended period approved in writing by City or the Certifying Entity, if the default or breach stated in such notice can be corrected, but not within such 60-day period,

unless Owner does not commence such correction or commences such correction within such 60-day

period but thereafter does not diligently pursue the same to completion within such extended period), City or the Certifying Entity shall be entitled to apply to any court having jurisdiction of the subject matter for specific performance of this Declaration, for an injunction against any violation of this Declaration, for the appointment of a receiver to take over and operate the Single Family Property in accordance with the terms of this Declaration, or for such other relief as may be appropriate, it being acknowledged that the beneficiaries of Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of Owner's default. City or the Certifying Entity shall be entitled to its reasonable attorneys' fees in any such judicial action in which City or the Certifying Entity shall prevail.

(b) Each right, power and remedy of City or the Certifying Entity provided for in this Declaration now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Declaration or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by City or the Certifying Entity of any one or more of the rights, powers or remedies provided for in this Declaration or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by City or the Certifying Entity of any or all such other rights, powers or remedies.

**Section 6.2. Remedies of Other Parties.** The occupancy requirements set forth in this Declaration also shall inure to the benefit of, and may be judicially enforced against Owner by, affected Lower-Income Families. Any such party that prevails in any such judicial action shall be entitled to its reasonable attorneys' fees.

**Section 6.3. Avoidance of Sale.** Any purported sale of all or any of the Single Family Property, including, without limitation, any Single Family Property, which is not carried out fully in compliance with the requirements of this Declaration shall be void and without effect, and City or the Certifying Entity shall be empowered to seek a judicial declaration to such effect. Upon a judicial determination that any such purported sale is void, if the prior Owner of such Single Family Property shall fail to re-occupy or operate such Single Family Property within thirty (30) days of such judicial determination, the City or the Certifying Entity may dispose of such Single Family Property for the benefit of the Owner thereof, in accordance with the terms of this Declaration.

**Section 6.4. Reliance Upon Information.** In carrying out its obligations hereunder, Owner shall be entitled to rely upon information provided by City or the Certifying Entity with respect to (i) income limits applicable to Lower-Income Families and Very-Low Income Families, (ii) the method for calculating the incomes of such families and (iii) the maximum purchase prices which may be charged to such families pursuant to Section 2.2(b)(i) of this Declaration.

## ARTICLE VII

### Miscellaneous

**Section 7.1. Notices.** All notices required or permitted to be given under this Declaration



such covenants, reservations and restrictions are set forth in such contract, deed or other instruments. If a portion or portions of the Single Family Property are conveyed, all of such covenants, reservations and restrictions shall run to each portion of the property. Owner, at its cost and expense, shall cause this Declaration to be duly recorded or filed and re-recorded or refiled in such places, and shall pay or cause to be paid all recording, filing, or other taxes, fees and charges, and shall comply with all such statutes and regulations as may be required by law, in the opinion of qualified counsel, in order to establish, preserve and protect the ability of City or the Certifying Entity to enforce this Declaration. Any conveyance of all or any portion of the Single Family Property in contravention of the terms of this Declaration shall be null and void and of no force or effect.

**Section 7.5. Counterparts.** This Declaration and any amendments hereto may be executed in several counterparts, each of which shall be deemed to be an original copy, and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

**Section 7.6. Section Titles.** Section titles and the table of contents are for descriptive purposes only and shall not control or limit the meaning of this Declaration as set forth in the text.

**IN WITNESS WHEREOF**, the undersigned has affixed its signature as of the date first above written.

**LAND ASSEMBLAGE REDEVELOPMENT  
AUTHORITY**

By:  
Name:  
Title:

**THE STATE OF TEXAS    '**

**COUNTY OF HARRIS    '**

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 200\_, by \_\_\_\_\_, \_\_\_\_\_ of **LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY**, a Texas local government corporation, on behalf of said local government corporation.

Notary Public in and for the  
State of Texas

**NOTARY SEAL**